



Direct PLUS Loan Basics

Parent Loans for Students

William D. Ford Federal Direct Loan Program

Frequently Asked Questions

How do I know whether I'm eligible for a Direct PLUS Loan?

You are probably eligible if you don't have an adverse credit history, you are not in default on a federal education loan, and you are borrowing for your student, who is less than 24 years old.

Are there minimum and maximum income requirements?

No. Parents from all income levels may take out Direct PLUS Loans. The important thing is not to borrow more than you can afford to pay back.

How do I apply?

You may obtain application information from the Financial Aid Office at the school your student attends or is planning to attend.

How do I find out whether my loan has been approved?

The Department will notify you of the results of your credit check. If you wish to check the status of your loan application, contact the Financial Aid Office at your student's school.

What is the interest rate?

The interest rate is variable and is adjusted each year on July 1. It will never be higher than 9 percent.

Can the loan be transferred to my student and become my student's responsibility to repay?

No. You are responsible for repaying a Direct PLUS Loan. It is a loan to a parent, not to a student.

How much time will I have to repay the loan, and how much will my monthly payments be?

You'll have from 10 to 30 years to repay. Your monthly payment amount depends on how much you borrow and how long you take to repay.

Direct PLUS Loans

The Direct PLUS Loan is one of the low-interest loans provided by the William D. Ford Federal Direct Loan Program. If you are a parent of a dependent student, a Direct PLUS Loan can help you pay for your student's education beyond high school. The lender is the U.S. Department of Education rather than a bank or credit union. The Department delivers loan proceeds through the student's school. You, as the parent, are responsible for repaying the Department.

Am I Eligible for a Direct PLUS Loan?

Generally, to be eligible for a Direct PLUS Loan you and your student must meet the following criteria:

- ▼ The student must be considered dependent, which means
 - ▼ the student will be under 24 years old on Dec. 31 of the first year of the award year (e.g., for the 2000-01 award year, the cutoff date would be Dec. 31, 2000);
 - ▼ the student is not married;
 - ▼ the student is not a graduate or professional student;
 - ▼ the student is not a veteran;
 - ▼ the student is not an orphan;
 - ▼ the student is not a ward of the court; and
 - ▼ the student has no legal dependents other than a spouse.
- ▼ You are the biological parent, adoptive parent, or in certain circumstances, the stepparent of the student for whom you seek the loan.
- ▼ Your student is enrolled at least half-time at a school that participates in the Direct Loan Program.
- ▼ You are a U.S. citizen, a U.S. national, or a permanent resident of the United States.
- ▼ You don't have an adverse credit history (a credit check will be done).
- ▼ You are not in default on a federal education loan, and you do not owe an overpayment on a federal education grant.

If you have an adverse credit history, you are eligible if someone with no adverse credit history (other than your student) agrees to endorse your loan (promises to repay it if you fail to do so), or if you can document to the Department's satisfaction that you have extenuating circumstances. If you are in default on a loan or owe an overpayment on a grant, you may still be eligible if you've made satisfactory repayment arrangements.

How Do I Apply?

Contact the Financial Aid Office at the school your student attends or plans to attend for application forms and procedures.

How Much May I Borrow?

You may borrow any amount up to the cost of your student's education, minus any other financial aid he or she may receive. For example, if the cost of your student's education is \$8,000, and he or she has received \$5,000 in other financial aid, you can borrow up to but not more than \$3,000. There is no borrowing limit based on a determination of your financial need.

Is There a Charge for This Loan?

Yes, you pay a “loan fee” on each Direct PLUS Loan you take out. The loan fee is 4 percent of the loan principal. The Department automatically deducts the fee from your loan before you receive any money. As a result, the amount of money you actually receive is 4 percent less than the amount you borrow. The fee helps reduce the cost of making these low-interest loans.

What Is the Interest Rate?

The interest rate is variable and is adjusted each year on July 1, but it will never be higher than 9 percent. To find out the current interest rate on Direct PLUS Loans, call Borrower Services at 1-800-848-0979. Note: Interest is charged beginning on the date of the first disbursement.

How Will I Know Whether My Loan Is Approved?

The Department will notify you of the results of your credit check. To check the status of your loan application, contact the Financial Aid Office at your student’s school.

How Will the Loan Be Disbursed?

Generally, the loan will be disbursed in at least two payments and credited to the student’s account. Any leftover funds will be paid to you directly or, with your written permission, either left in the student’s account or paid directly to the student.

When Do I Begin Repaying My Loan?

You will begin repaying your Direct PLUS Loan 60 days after the full amount you’ve borrowed for a school year has been disbursed. In most cases, you must begin making payments while your student is still in school.

How Do I Make My Payments?

You may select one of three repayment plan options explained below. Borrower Services will send you information to help you determine which plan best suits your financial circumstances. If your circumstances change, you may change your repayment plan anytime without penalty.

The following are your repayment plan options:

- ▼ **The Standard Repayment Plan.** This plan requires a fixed monthly payment (at least \$50) paid over a fixed period of time (up to 10 years). This plan usually results in the lowest total interest paid because the repayment period is the shortest of the plans.
- ▼ **The Extended Repayment Plan.** This plan allows loan repayment to be extended over 12 to 30 years, depending on the total amount borrowed. You will pay a fixed amount each month (at least \$50), but the monthly payment will be less than the payment under the Standard Repayment Plan. This plan may make repayment more manageable; however, you usually will pay more interest because the repayment period is longer.
- ▼ **The Graduated Repayment Plan.** Under this plan, payment amounts are lower at first and increase about every two years. Your monthly payment would never be less than half or more than 150 percent of the amount you would pay each month under the Standard Repayment Plan and must cover interest that accrues monthly. Like the Extended Repayment Plan, the repayment period will vary from 12 to 30 years, depending on the total amount borrowed. Again, monthly payments may be more manageable because they are lower, but usually you will pay more interest because the repayment period is longer.

Under all plans you may prepay your loan—that is, pay your entire loan or make a payment larger than agreed upon—without penalties.

Where Do I Send My Payments?

Send your loan payments to

U.S. Department of Education
Direct Loan Payment Center
PO Box 530260
Atlanta, GA 30353-0260

If you have questions about your Direct PLUS Loan, call Borrower Services at 1-800-848-0979. The TDD number is 1-800-848-0983.

You may also write to Borrower Services at

Borrower Services
Direct Loan Servicing Center
PO Box 4609
Utica, NY 13504-4609

Can I Postpone Repaying My Loans?

Yes, in some circumstances. You must contact Borrower Services to request either a deferment or a forbearance, which are explained below.

Deferment

You may qualify for a deferment, if you (not your student) are

- ▼ enrolled at least half-time in a program of study that meets the Department's requirements for program eligibility;
- ▼ enrolled in a graduate fellowship program approved by the Department;
- ▼ enrolled in a rehabilitation training program for people with disabilities approved by the Department;
- ▼ seeking, but unable to find full-time employment (for up to three years); and
- ▼ experiencing an economic hardship (for up to three years).

You may be eligible for other deferments. Call or write Borrower Services for more information.

You are not required to make payments during a deferment period. However, interest continues to be charged. You may choose to pay this interest or have it capitalized (added to your principal balance) when the deferment ends.

Forbearance

Forbearance is a period when you temporarily stop making monthly payments, or make smaller monthly payments than originally scheduled. As is true for deferments, if you choose not to pay the interest during the forbearance period, it will be capitalized and added to your loan principal when your forbearance ends.

You may request a forbearance for reasons such as

- ▼ you are experiencing health or financial problems;
- ▼ your total monthly payments on federal education loans are at least 20 percent of your monthly gross income (for up to three years); or
- ▼ you, not your student, are in a medical or dental internship or residency program.

Call or write Borrower Services for more information.

Can My Loan Ever Be Discharged

You can receive a discharge (a cancellation of your loan) under these specific circumstances:

- ▼ You (or the student for whom you borrowed) die(s).
- ▼ You become totally and permanently disabled due to an injury or illness that is expected to continue indefinitely or result in death.
- ▼ The student for whom you borrowed cannot complete a course of study because the school closed.
- ▼ The school your student attended falsely certified that your student was an eligible student.
- ▼ The school your student attended forged your signature on your promissory note.
- ▼ The school your student attended forged your signature on your loan check or authorization for electronic funds transfer and did not give you the loan funds or apply the loan funds to your student's account.
- ▼ You file for bankruptcy, and the court rules that you do not have to repay the loan. (This type of discharge occurs only in rare cases.)

You must apply for a discharge through Borrower Services.

Can I Combine My Loans to Make Repayment Easier?

Yes, you may want to consider a Direct PLUS Consolidation Loan.

Consolidation means that you make only one monthly payment to cover all your education loans, including Federal PLUS Loans under the Federal Family Education Loan (FFEL) Program.

There may be several advantages if you consolidate. Consolidation is similar to refinancing, but there's no loan fee. You get one new loan to repay the loans you have borrowed. You also get the benefit of choosing a repayment plan that best suits your financial circumstances, and you may be able to reduce your monthly payment.

The interest rate on a Direct PLUS Consolidation Loan is fixed. It is based on the weighted average of the interest rates on all the loans being consolidated rounded up to the nearest higher $\frac{1}{8}$ of 1 percent, not to exceed 8.25 percent.

If you have questions about Direct PLUS Consolidation Loans, call 1-800-557-7392. The TDD number is 1-800-557-7395.

Directory of Important Addresses and Telephone Numbers for Direct PLUS Loans

Applicant Services

U.S. Department of Education
Applicant Services
Loan Origination Center
PO Box 5691
Montgomery, AL 36103-5691

Telephone number	1-800-557-7394
TDD:	1-800-557-7395
Fax number	1-800-557-7396
E-mail	loan_origination@mail.ed.gov

Borrower Services

U.S. Department of Education
Borrower Services
Direct Loan Servicing Center
PO Box 4609
Utica, NY 13504-4609

Telephone number	1-800-848-0979
TDD:	1-800-848-0983
Fax number	1-800-848-0984
E-mail	osfadlborrowerservices@ed.gov
Web address	http://www.dlservicer.ed.gov

Consolidation Department

U.S. Department of Education
Consolidation Department
Loan Origination Center
PO Box 1723
Montgomery, AL 36102-1723

Telephone number	1-800-557-7392
TDD:	1-800-557-7395
Fax number	1-344-206-7672
E-mail	loan_consolidation@mail.ed.gov
Web address	http://www.Loanconsolidation.ed.gov

Direct Loan Payment Center

U.S. Department of Education
Direct Loan Payment Center
PO Box 53060
Atlanta, GA 30353-0260

Direct Loan Web Site

<http://www.ed.gov/DirectLoan>

If you have general questions about Direct PLUS Loans or other federal student aid programs, call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243).



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U.S. Department of Education
Student Financial Assistance